

FOREIGN POLICY BULLETIN

An analysis of current international events



1918-1950

FOREIGN POLICY ASSOCIATION • INCORPORATED • 22 EAST 38TH STREET • NEW YORK 16, N. Y.

VOL. XXIX No. 21

MARCH 3, 1950

Liberal Vote May Be Key to Next British Election

The leadership of the British government, which since 1947 has lacked space for maneuver in economic affairs, is now doubly constrained by the lack of political elbowroom following the general election of February 23. The outcome of the voting was so unprecedently close that there is little doubt that a new election will have to be held in a matter of months. Meanwhile, the economic uncertainty that has pervaded Britain since devaluation of the pound last September will continue despite the urgent need for forceful government action.

An Electoral Freak

The balloting produced nothing less than an electoral freak without exact comparison in British history. About 28.6 million Britons, or 85 per cent of the electorate, voted; Labor party candidates polled 13.2 million, or 46.2 per cent of the total vote; Conservatives and their close allies received 12.4 million, or 43.4 per cent; Liberals won 2.6 million, or 9.1 per cent. This narrow differential between the two dominant parties translated itself into 315 Labor seats in the House of Commons, as against 296 Conservatives. The Liberals, despite their sizeable popular vote, held only 9 seats, a not unexpected phenomenon, since it roughly paralleled the party's experience in the 1945 election. What was unexpected was that the twenty-odd seats which in 1945 went to independents and splinter party candidates were all but wiped out, two Irish Nationalists and one independent Liberal alone surviving.

This turned out to be the two-party sys-

tem with a vengeance. The Labor party holds only two seats more than the 313 which represents the minimum majority in the 625-seat House. Even if Prime Minister Clement Attlee's new government is able to command complete discipline among its Parliamentary supporters, it will still be in jeopardy if any of its M.P.'s should be absent through illness or other causes. Under the threat of imminent defeat, Labor can be expected to show great discipline, especially since the more troublesome party rebels have been expelled from the party and have suffered defeat in the election as independents.

The job of keeping pro-government votes ready for every Parliamentary test, however, will prove much more difficult. The party's strength in Commons includes members of the cabinet, and the absence of each minister who goes abroad—to Lake Success, to an OEEC meeting in Paris—gives the Opposition an opportunity to turn the government out. There is no precise precedent for this situation; whenever the two dominant parties ran neck and neck in past British Parliaments, there was always a substantial number of third party M.P.'s to provide the basis for a coalition. In the present House the lines are so tightly drawn that the nine votes of the Liberals cannot add decisively to Labor's strength.

Under these circumstances Labor can provide little more than a caretaker government until the electorate is again given a chance to resolve its present indecisiveness. Controversial legislation, such as that carrying forward Labor's new nationalization program, appears to be ruled out.

The Liberals, who have cast more votes in favor of the Attlee government than against it since 1945, will undoubtedly acquiesce on most questions short of nationalization. Moreover, the area of disagreement between Labor and Conservatives is small enough so that some limited and temporary arrangement may be worked out, either tacitly or otherwise, to keep the government from falling on an ill-timed and trivial issue.

Questions for the Future

But Britain, in its current economic position, cannot long exist on a bland political diet. The next test ahead is the annual budget, due to be presented to Parliament at the beginning of April. Under ordinary circumstances a Labor budget would hardly prove acceptable to the Conservatives, who favor a revision of the tax structure to provide greater incentive for industry. Now something in the nature of an interim budget may be necessary, to be followed by a new election. In addition to the budget, the nationalization of the iron and steel industry poses another issue which the Tories will not ignore. Legislation for public ownership of iron and steel—a part of Labor's 1945 platform—already has been passed by Parliament; the date of the actual transfer of ownership was deferred until January 1, 1951 so that there would be no doubt about the mandate of the public on this issue. The Conservatives want to repeal the steel bill, and they will attempt to bring down the present government before the act goes into effect.

With these factors making a repetition

Contents of this BULLETIN may be reproduced with credit to the Foreign Policy Association

of the February 23 contest likely, what is the significance of the returns already in? In practical terms the balloting produced a major defeat for Labor, reducing it from a strong parliamentary position to an extremely weak one. At best a new election can only give it the opportunity to recoup some of the seventy-odd seats which went to the opposition. Undoubtedly a few Labor leaders would rather be in opposition than in their present precarious position. But there is some comfort for the partisans of Labor in the fact that they rolled up a record vote, greater than in 1945 and greater than any other single party in British history. Considering the hardships of British life in the past five years, this is no small achievement.

But Winston Churchill's Conservatives also registered a record poll, picking up almost 2.5 million more votes than they had in 1945. If this was not enough to win, it was enough to block their opponents. They can argue that the sentiment of the country has turned against socialism to the extent that Labor has no popular majority, only a plurality. The effectiveness of this argument, however, means less than it might because the

Tories used it, with less validity, after the 1945 poll. Even now its significance depends on whether the Liberal vote is regarded as reflecting opinion more anti-Labor than anti-Conservative. Judging from the Liberal voting record and the views expressed by such influential Liberal journals as the *Manchester Guardian* and the *London News Chronicle*, this is a doubtful assumption.

The Liberal vote may prove to be the key to the next election, preventing it from producing an exact replica of the February 23 results. The Liberals, in an effort to recapture some part of their nineteenth century greatness, put up 474 candidates this year, in comparison with 305 in 1945, but polled only a sliver of additional votes and won three less seats. In the next election the Liberals are unlikely to have the heart or the finances to repeat such a valiant effort. This means that a substantially greater number of constituencies are going to be decided by straight fights between Labor and Tory nominees rather than by three-cornered races. The Conservatives have been actively wooing the Liberal voters since 1945, with limited success; Labor can be expected to take to this form

of campaigning—as well as to all others—with more vigor than it has shown to date.

Meanwhile, Britain's battle for economic solvency will continue. For the time being at least, Britain's export drive is unlikely to falter, nor are the broad lines of Sir Stafford Cripps' policies to be abandoned. After the election the British economy is something like a ship under full steam; what it now lacks is a firm hand at the helm. But as unstable as the present parliamentary situation now is, the basic agreement between parties on a wide area of British political life—including the broader issues of foreign affairs and international economic policy—is likely to prevent the country from sliding into the French habit of perpetual cabinet crises. A coalition government would undoubtedly be distasteful to the Labor party; it would probably serve Britain less well than a strong government of either of the two parties; but it remains an ultimate possibility. No coalition is in prospect as a result of the election just past; yet if the next contest brings another dead heat, it may prove inevitable.

WILLIAM W. WADE

Russia Offers Only Modest Aid to China's Economy

Far from resulting in the kind of estrangement that was rumored here occasionally while the Chinese Communists were negotiating with the Russians, Mao Tze-tung's two-month visit to Moscow finally produced a series of accords that seems to have brought the two sides into closer harmony. Although the three published agreements, signed on February 14 by Foreign Ministers Andrei Vishinsky and Chou En-lai, undoubtedly do not include many of the "real terms" of the new Sino-Soviet collaboration, the documents that were made public on February 15 cannot be dismissed lightly.

Alliance Framework

These agreements create the framework of a working Sino-Soviet political, economic, cultural and military alliance. Under the central Treaty of Friendship, Alliance and Mutual Aid, both sides "undertake jointly" to carry out "all measures at their disposal" to "prevent" aggression by Japan or "any other state" directly or indirectly associated with it (i.e., the United States). In the event of attack by Japan or "any other state" allied with Japan, each side agrees to provide military aid to the other.

At least for the time being, the Moscow documents also have resolved the question of "Chinese Titoism." Each side has agreed not to conclude any alliance or participate in "any coalition, or in actions or measures" directed against the other—a commitment which has special significance for China. At the same time—this applies particularly to Russia—each side undertakes to respect the state sovereignty, territorial integrity and "non-intervention in the internal affairs" of the other, that is, China.

The published Kremlin agreements, moreover, serve as effective instruments of Soviet propaganda both in China and throughout East Asia, including Japan. Ascribing the conclusion of the new entente to a possible "rebirth of Japanese imperialism," among other reasons, and coupling it with promised Russian concessions to China in Manchuria, the Moscow conferees have made tight Sino-Soviet collaboration more acceptable to the Chinese, have established themselves as the bulwark against "aggression" in Asia and tossed the ball to the United States on the delicate matter of a Japanese peace treaty. While pressing for "peace," "security" and

a Japanese treaty, the Soviet Union has disassociated itself propaganda-wise from the sinister aims and ambitions it ascribes to the "Western imperialists," making the United States responsible for the continued Russian presence in Manchuria during the next two years.

Collateral Agreements

The two collateral agreements, briefly summarized in the BULLETIN of February 24, modify the Manchurian provisions of the Sino-Soviet 1945 pact and provide for a Russian credit to China.

(1) Russia is to yield all property and administrative rights in the Chinese Changchun Railway to China on the signing of a peace treaty with Japan and not later than 1952. Meanwhile, the Sino-Soviet railway partnership is to continue, and the Chinese are to receive a greater voice in the management of the line.

(2) Russian troops are to be withdrawn from Port Arthur on the signing of a Japanese peace treaty and not later than 1952, at which time China will compensate Russia for construction done since 1945. Meanwhile, the civil administration is to be Chinese, and China will participate in a joint commission for military administration. In the event of aggression, Russia in effect reserves the right to use Port Arthur as a naval base.

(3) The question of Dairen, a "free port" where the Russians have special economic concessions, is to be reopened after the signing of a Japanese peace treaty (no provision about 1952).

Meanwhile, the sovereignty of the Peiping regime is affirmed, the civil administration is to be Chinese, and Russian agencies are to turn over to the Peiping administration property previously appropriated or leased.

(4) Russia is to extend to the Peiping government a five-year credit of U.S. \$300 million, made available in equal instalments beginning this year at an annual interest rate of 1 per cent. The credit is for the purchase of equipment and materials, especially with regard to electric power, mines and transportation. Repayment is to be made in equal instalments over a ten-year period beginning not later than December 1954 in the form of raw materials, tea, gold and American dollars.

The treaty stipulation on "non-intervention in . . . internal affairs" and the promised modification of current Russian administrative practices in Manchuria suggest either that the Russians have learned something from Titoism or that Mao Tze-tung did some hard talking in Moscow—or both. Under continuing Soviet military control, Port Arthur and Dairen have been administered as a special zone separated, in effect, from both the Peiping regime and the Communist regional government in Manchuria.

Russian Credits and Manchuria

No clues were offered in the published documents about Russian technicians and advisers, the use of Chinese labor "in the north," the future of existing "jointly-owned" Sino-Soviet companies in Manchuria, or about any other concrete means of implementing the new alliance. But when the post-war fears manifested by the Russians concerning Manchuria are related to the treaty provision about combined measures to "prevent" aggression by Japan and "any other state," the prospect presents itself that the defense of Manchuria was an important consideration in the Moscow talks. In 1946 Russian officers in Manchuria, explaining the stripping of machinery from Mukden's fac-

tories, argued that the Soviet Union could never again permit an industrialized Manchuria to be "a dagger pointed at our back." If the Russians pull out of Manchuria by 1952, it seems likely that Manchuria will be defended at that time by a Soviet-trained and Soviet-equipped Chinese Communist army.

Even ignoring such concrete *quid pro quo* as China may have to give for Soviet treaty concessions in unpublished protocols or understandings, the \$300 million credit at 1 per cent is not the most generous aid China has ever received. In contrast with such economic assistance as China (mainly Nationalist China, it is true) received from UNRRA, the China Relief Mission and ECA, the new Moscow credit must be repaid in raw materials and hard cash. Furthermore, with regard to Peiping's overall economic position, it promises to accomplish relatively little if anything to ameliorate the immediate problems of food and inflation.

While the \$300 million Russian credit allocated over five years looks pitifully small when viewed in terms of China's over-all needs, it looks a little different in terms of a five-year plan for Manchuria. The importance of Manchuria to the Soviet Union as a security zone and as a source of surplus food is matched by the importance of Manchuria to Communist China as a pilot base for planned industrialization and also for food.

There is no indication in the published Kremlin agreements as to whether the new credit arrangement supersedes or runs concurrently with the agreement concluded between the Russians and the Manchurian Communist authorities last July. Under any circumstances, the Chinese Communists appear to be fundamentally interested in Manchurian development.

Emphasis on Integration Casts Doubts on ERP Future

WASHINGTON — The intensive effort of Paul G. Hoffman, Economic Cooperation Administrator, to persuade the Marshall Plan countries to "integrate" their economies has confused congressional supporters of the plan and strengthened isolationists. At the same time it has impressed on the Europeans the determination of the United States to carry out the policy of integration.

European Unity and ECA

Returning from his unsuccessful negotiations in Paris for the establishment of

a new system for clearing trade balances among the Marshall Plan countries, Mr. Hoffman on February 3 said that European progress toward integration had been "disappointing." On February 23, the third day of the hearings before the Senate Foreign Relations Committee on the bill to renew the Marshall Plan for 1950-1951, Senator Henry Cabot Lodge, Republican of Massachusetts, who voted for the plan and its appropriations in 1948 and 1949, asked Mr. Hoffman why Congress should not require Europe to take positive steps

The northeast will undoubtedly receive top priority consideration in the allocation of such equipment as is available. It is highly questionable as to how much use the Communists will be able to make now of machines, electric meters and precision instruments taken from Manchuria in 1945 and 1946 by the Russian army. But new equipment is another matter.

Although a delegation from Sinkiang (still part of China) turned up in Moscow during the talks between Mao Tze-tung and Stalin, there has been no announcement thus far on decisions taken with regard to that northwestern frontier province. A pattern for Soviet action already exists, however, in terms of the short-lived Russo-Chinese Nationalist discussions that took place in Tihwa before the departure of General Li Tsung-jen's "central government" from Nanking. The Tihwa negotiations involved the prospect of Soviet mineral exploitation, a commercial monopoly and a new aviation agreement. Notwithstanding the omission on Sinkiang, the Moscow talks continue to point to the northern border areas as the center-of-gravity of the Sino-Soviet alliance, with the border belt being drawn closer to the Soviet Union by a process of economic osmosis.

Mao Tze-tung and Stalin have formalized an alliance that will undoubtedly have significant repercussions in the Far East. But for the most part, China still has to lift itself up by its own bootstraps.

HENRY R. LIEBERMAN

(Henry R. Lieberman, known for his work with *The New York Times*, served during the war first as chief news editor of the OWI Foreign News Bureau in Washington, then as OWI chief news editor in China. In September 1945 he rejoined *The New York Times* and for four years covered both Nationalist and Communist territory, including Manchuria and Sinkiang. At the present time Mr. Lieberman is studying at Columbia University and at the Council on Foreign Relations under a fellowship granted by the Council.)

toward integration before the United States supplied further help. Senators who have been hostile to the plan are discussing informally the possibility of sponsoring an amendment to the law making integration a prerequisite for further aid.

Mr. Hoffman told Senator Lodge that "we will get results more quickly if we rely more on persuasion and less on coercion." Yet his many statements on the subject during the past eight months have left the impression at the Capitol that he believes the countries receiving aid will

not recover real economic stability unless they combine—and soon—into a large customs union in order to provide a mass market for their own products. Since little evidence exists of serious European interest in "integration," the imposition of conditions might abruptly halt the operation of the Marshall Plan or at least alienate the beneficiary nations.

Roadblock to Renewal

Another hazard to continued operation of the ECA is Britain's foreign and domestic policy. Since the Republican National Committee early in February condemned the Truman Administration for leading this country toward socialism, many Republican Senators, some of them influential in the Foreign Relations and Appropriations Committees, have begun to express doubt whether the United States is wise to supply funds to the Socialist Labor government. The inconclusive result of the British general election on February 23 encourages Representatives and Senators who urge delay in renewing the Marshall Plan, since the British may find it necessary to hold a new election before the summer, and a new poll might cost Labor more parliamentary seats.

Meanwhile, British restrictions on purchases of American oil have irritated members of Congress from oil states, including Chairman Tom Connally of the Senate Foreign Relations Committee, a Texan, who had previously been favorably disposed to Britain. Among the Marshall Plan countries, moreover, the Labor government, through Chancellor of the Exchequer Sir Stafford Cripps, has most effectively opposed the new payments clearing scheme, which in Mr. Hoffman's opinion would open the door to "integration." Britain has opposed this scheme both in its role of banker of the sterling area and because of the difficulties the Labor government anticipated in integrating the British planned economy with the more or less unplanned economies of the continental nations. The hope, entertained by some, that London would accept the system after the election is now dimmed by uncertainty as to whether the new Labor government can make any firm decisions about controversial matters.

While the Truman Administration ap-

parently remains confident that Congress will overcome these various hurdles, Mr. Hoffman already has acknowledged the critical Congressional attitude by reducing the request for ECA funds from the original budget figure of \$3.1 billion to \$2.95 billion—although this reduction is officially explained as a carry-over of the unspent portions of the previous year's appropriations.

BLAIR BOLLES

Economic Survey of Asia and the Far East, 1948.
Lake Success, United Nations, Department of Economic Affairs, 1949. (Sales Number: 1949. II.F.1)

The second annual volume of this important survey, prepared by the secretariat of the Economic Commission for Asia and the Far East, presents in convenient form data on production, monetary and fiscal developments, price movements and balance of payments as well as general characteristics, population trends and recent changes in non-Soviet Asia east of Afghanistan.

The Community of Man, by Hugh Miller. New York, The Macmillan Co., 1949. \$3.00

In this essay a professor of philosophy attempts to frame on biological and scientific bases a general philosophy which buttresses faith in the future, reaching the conclusion, among others, that a live-and-let-live policy is the best way to deal with Russia.

News Direct from China

Don't miss an up-to-the-minute, carefully considered analysis by an observer just back from China. READ:

PROFILE OF RED CHINA

by A. Doak Barnett

February 15 issue

Foreign Policy Reports—25c.

Subscriptions \$5; to FPA members, \$4.

Branches and Affiliates

CINCINNATI, March 4, *Student Conference*, Brooks Emery

*SPRINGFIELD, March 4, *What Next In China?* Wing-Tsit Chan, Harold R. Isaacs

*ELMIRA, March 7, *American Foreign Policy Today*, Dexter D. Perkins

*NEW YORK, March 7, *Is the Cold War Getting Hot?* John Scott

POUGHKEEPSIE, March 8, *German Nationalism, Past, Present and Future*, Hajo Holborn

*BETHLEHEM, March 9, *Psychological Aspects of Peace*, J. R. Bodo

POUGHKEEPSIE, March 10, *Roots of the German Problem*, Hans Simons

*BUFFALO, March 11, *Impact of Atomic Energy*, Herbert S. Marks

MILWAUKEE, March 11, *British-United States Economic Relations*, Sir Leslie Rowan, Henry Siebert

*CLEVELAND, March 16, *Canadian-U.S. Relations*, The Honorable Lester Pearson

*Data taken from printed announcement.

News in the Making

"NEUTRAL" AID TO MIDDLE EAST? When U.S. diplomats in the Middle East convene on March 11 at Cairo to discuss that region's problems, attention will be focused on ways and means of providing technical and economic aid, meanwhile eschewing involvement in the area's acute political controversies. The difficulty of drawing a clear line between aid and politics, however, was demonstrated by a report from Washington on February 26 that Israel had presented a list of war materials it wished to buy. The State Department will permit shipments needed for maintenance of domestic order, but the Israeli request is apparently an effort to offset British arms shipments to the Arab countries.

PERSIAN COMPLICATIONS: The Cairo conference reportedly will include Iran in the category of Middle Eastern countries to receive economic but not political aid. Teheran leaders, wishing for American support on a basis comparable with that given to Greece and Turkey, are seeking to bolster the imperiled seven-year plan by giving full economic power to Dr. Taqui Nasr, former member of the International Bank. But nepotism, widespread indebtedness, political corruption and an adverse trade balance combine to make political and economic problems inseparable in Iran, as throughout the Middle East.

FUTURE OF ERITREA: A United Nations commission, now in Eritrea to make recommendations to the General Assembly by June 15 on the disposal of the former Italian colony, is witnessing at first hand the sharp division between the territory's Coptic Christians and Muslims. Disorders between the two groups broke out on February 21 and lasted a week at the cost of forty-seven lives. The Coptic Christians favor union with Ethiopia, while the Muslims want independence.

TITO'S INDEPENDENCE DRIVE: In preparation for the March 26 election to the Yugoslav Parliament, Marshal Tito on February 18 and February 26 bluntly warned that he would not "beg" the West for loans and that pre-war leaders who opposed socialism would not be permitted to stand for Parliament.

FOREIGN POLICY BULLETIN. Vol. XXIX, No. 21, MARCH 3, 1950. Published weekly from September through May inclusive and biweekly during June, July and August by the Foreign Policy Association, Incorporated. National Headquarters, 22 East 38th Street, New York 16, N. Y. BROOKS EMERY, President; VERA MICHELES DEAN, Editor; WILLIAM W. WADE, Associate Editor. Re-entered as second-class matter June 4, 1948, at the Post Office at New York, N. Y., under the Act of March 3, 1879. Four Dollars a Year. Please allow at least one month for change of address on membership publications.